CaRIT

Canadian Resources Income Trust

Annual Report to Unitholders

December 31, 1998

CaRIT
CANADIAN RESOURCES INCOME TRUST

FINANCIAL HIGHLIGHTS

(in thousands except per Unit amounts)	Total		Per Unit	
	1998	1997	1998	1997
Units outstanding as at December 31	13,457	18,121	n/a	n/a
Net asset value as at December 31	$ 72,544	$ 152,088	$ 5.391	$ 8.393
Unpaid distributions beginning of period	$ 1,461 (3)	$ — (3)	$ 0.089*	$ 0.000*
Net investment income for the period	3,407	6,222	0.208*	0.314*
Return of capital for the period	7,739 (3)	16,631(3)	0.473*	0.841*
Net receipts available for distribution	$ 12,607	$ 22,853	$ 0.770*	$ 1.15*

SUMMARY OF DISTRIBUTIONS

For the year ended December 31, 1998 with comparative figures for the period from December 6, 1996 to December 31, 1997.

	Net Investment Income Per Unit*		Return of Capital Per Unit*		Total Available for Distribution Per Unit*	
	1998	1997	1998	1997	1998	1997
Net receipts available for distribution(1)	$ 0.208	$ 0.314	$ 0.562(3)	$ 0.841(3)	$ 0.770(3)	$ 1.155(3)
Distributions to unitholders(2)	0.208	0.314	0.504	0.767	0.712	1.081
Unpaid distributions	$ —	$ —	$ 0.058	$ 0.074	$ 0.058	$ 0.074

	Net Investment Income Per Unit		Return of Capital Per Unit		Total Available for Distribution Per Unit	
	1998	1997	1998	1997	1998	1997
Tax adjusted distributions(4)	$ 0.101	$ 0.213	$ 0.596	$ 0.868	$ 0.697	$ 1.081

* Based upon the weighted average number of Units outstanding during the period.

(1) Includes distributions receivable as at December 31.

(2) Includes distributions payable as at December 31. The classification of the distributions between net investment income and return of capital is based on the final tax reporting information obtained from the issuers. Return of capital distributions to Unitholders to be used to reduce the adjusted cost base of the Unitholders' investments.

(3) Excludes distribution entitlements paid to retracting Unitholders with share of other net assets on retraction.

(4) Unitholders' tax adjusted distributions reflects additional tax deferrals resulting primarily from the tax deduction of issue costs amortization.

In accordance with the Income Tax Act (Canada), the Unitholders will be required to include, in the calculation of their income, the net income and net realized capital gains of the Trust paid or payable to the Unitholders in the year.

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CANADIAN RESOURCES INCOME TRUST

REPORT TO UNITHOLDERS

I am pleased to report on the financial results of Canadian Resources Income Trust ("CaRIT" or the "Trust") for the year ended December 31, 1998. The comparative numbers show the results for the thirteen month period from the commencement of the Trust's operations on December 6, 1996 to December 31, 1997.

FINANCIAL PERFORMANCE

The Trust's net investment income for the year ended December 31, 1998 was $0.208 per unit (1997 - $0.314). The current year's results reflect lower distributions received from a number of portfolio issuers and in addition the comparative results for 1997 are for a thirteen month reporting period and include extra distributions.

As a result, the cash distributions to the Trust's unitholders for the year were lower than the comparative period, totalling $0.6971 per unit (1997 - $1.0805). It is the policy of the Trust to declare and pay monthly distributions to the extent of the distributions received by the Trust from the Portfolio less estimated expenses. Unitholders on record as at the last day of each month are entitled to receive cash distributions, as declared by the Trustee, on or before the 15th of the following month. These amounts fluctuate from month to month due to the varying payment schedule of distributions received from the underlying securities.

During the year, a total of 4,663,760 units were retracted (1997 - 1,879,472 units) for cash and Portfolio securities amounting to $30,156,503 (1997 - $16,672,274). At December 31, 1998, Net Asset Value per unit was $5.391 (1997 - $8.393), reflecting a decline in the market value of the Portfolio.

INCOME TAXES

Distributions received from issuers in the portfolio are comprised of both a taxable and non-taxable amount. The Trust is required to include all distributions received as dividends and income in its calculation of net income for tax purposes. Amounts received by the Trust as a return of capital are not taxed as income but are used to reduce the adjusted cost base of the related investment. The tax treatment and classification of distributions received are reported by the underlying issuers in the portfolio either at the time of declaration or on an annual basis. The allocation of distribution receipts between income and return of capital amounts in the attached financial statements reflects the actual tax treatment and classification where it has been reported by the underlying issuers.

YEAR 2000

As the year 2000 approaches, the issue of whether computer systems will properly recognize a date using "00" (and subsequent dates) as the year 2000 rather than 1900 needs to be addressed.

As a mutual fund trust, CaRIT has no active business operations of its own and no computer systems that could be directly affected by Year 2000 readiness issues. However, the Trust conducts its operations through several third party service providers, including its administrator, transfer agent and registrar, custodian and various financial institutions and holds a portfolio of investments whose issuers may be affected by Year 2000 readiness issues.

The Trust has, through its administrator, contacted such third party service providers in writing to assess the state of Year 2000 readiness of these parties and has reviewed the securities disclosure documentation of the

issuers of portfolio securities. This initial review was completed at the end of February 1999, and a plan was developed and has been adopted by the Trust to deal with potential Year 2000 readiness issues. Under the plan, the progress of the Trust's third party service providers with respect to their Year 2000 readiness continues to be monitored (including obtaining status reports on the testing of their systems and in some cases their participation in certain industry wide testing to be completed by June of 1999) and the securities disclosure documentation of the issuers of Portfolio securities will be reviewed on an ongoing basis. The plan also contemplates the continuation of certain other initiatives on behalf of the Trust including monitoring the approach of other similar market participants to Year 2000 readiness issues. It is expected that implementation of the plan and any contingency planning relating to Year 2000 readiness issues will be completed by November 30, 1999. The Trust's initiatives in this area will result in additional administrative expenses, however they are not expected to be material.

As set out in the prospectus, the policy of the Trust is to maintain its portfolio of investments and to trade them only in the limited circumstances described in the prospectus. As discussed above, the Trust, through its administrator, is continuing to review the securities disclosure documentation of the issuers of Portfolio securities and to date has not identified any Year 2000 readiness issues relating to any such issuer as a result of its review which would be material to the Trust. For further information relating to the Year 2000 readiness of these issuers, unitholders should review the annual and continuous disclosure documentation filed by the Portfolio issuers.

This report along with the accompanying audited financial statements of the Trust are respectfully submitted to you on behalf of the Board of Directors of CaRIT Limited, Trustee of Canadian Resources Income Trust.

Brian D. McChesney
President and Chief Executive Officer

Toronto, Canada
May 13, 1999

CaRIT
CANADIAN RESOURCES INCOME TRUST

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Canadian Resources Income Trust and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of CaRIT Limited, Trustee of Canadian Resources Income Trust.

The financial statements were prepared by management in accordance with generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented in this annual report and has ensured that it is consistent with the financial statements.

Through its administrator, the Trust maintains adequate cost efficient systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Trust's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of CaRIT Limited (the "Trustee") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities through its Audit Committee (the "Committee").

The Committee is appointed by the Board of Directors of the Trustee. The Committee meets periodically with management and the external auditors to discuss internal controls, the financial reporting process, auditing matters and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings semi-annually to the Board for consideration when approving the financial statements for issuance to the unitholders. The Committee also considers, for review by the Board and approval by the unitholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by KPMG LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the unitholders. KPMG LLP has full and free access to the Committee.

Brian D. McChesney
President & Chief Executive Officer

Michael K. Warman
Chief Financial Officer & Secretary

Toronto, Canada
May 13, 1999

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the statements of net assets and investments of Canadian Resources Income Trust (the "Trust") as at December 31, 1998 and 1997, and the statements of financial operations, changes in net assets and net realized gains/(loss) on disposition of investments for the year ended December 31, 1998 and the period from December 6, 1996 to December 31, 1997. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust and its investments held as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the year ended December 31, 1998 and the period from December 6, 1996 to December 31, 1997 in accordance with generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Toronto, Canada
April 12, 1999

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CANADIAN RESOURCES INCOME TRUST

Statements of Net Assets

As at December 31

	1998	1997
Assets		
Investments, at market value	$ 71,651,595	$ 150,712,256
Securities held for retraction	3,720,756	4,395,075
Distributions receivable	920,558	1,462,213
Cash and short-term investments	619,276	1,052,860
	76,912,185	157,622,404
Liabilities		
Distribution payable to unitholders	547,820	1,038,748
Retraction proceeds payable	3,766,459	4,435,197
Accrued liabilities	53,884	60,448
	4,368,163	5,534,393
Net assets representing unitholders' equity	$ 72,544,022	$ 152,088,011
Number of Units outstanding *(note 4)*	13,456,768	18,120,528
Net asset value per Unit *(note 7)*	$ 5.391	$ 8.393

On behalf of the Board of Directors of CaRIT Limited,
Trustee for Canadian Resources Income Trust,

Brian D. McChesney
President and Chief Executive Officer

Michael K. Warman
Chief Financial Officer & Secretary

Statements of Net Realized Gain/(Loss) on Disposition of Investments

For the year ended December 31, 1998
and the period from December 6, 1996 to December 31, 1997

	1998	1997
Disposition of investments during the period		
Distribution of securities on retraction	$ 30,005,359	$ 16,573,632
Proceeds on disposition of investments	—	6,998,941
	30,005,359	23,572,573
Cost of investments distributed		
Cost of investments, beginning of period	155,219,391	—
Purchase of investments	—	198,386,888
Less: Return of capital on investments	(7,899,722)	(16,689,786)
	147,319,669	181,697,102
Cost of investments, end of period	(108,938,341)	(155,219,391)
Cost of disposition of investments	38,381,328	26,477,711
Net realized gain/(loss) on disposition of investments	$ (8,375,969)	$ (2,905,138)
Allocated as follows		
Net realized loss on disposition of investments	$ —	$ (3,152,226)
Net realized gain/(loss) on investments distributed to retracting unitholders	(8,375,969)	247,088
	$ (8,375,969)	$ (2,905,138)

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CANADIAN RESOURCES INCOME TRUST

Statements of Investments

As at December 31

Number of Units		Company	Market Value		Adjusted Cost Base	
1998	1997		1998	1997	1998	1997
720,289	969,916	ARC Energy Trust	$ 4,429,777	$ 10,135,622	$ 7,132,909	$ 10,645,791
446,054	600,637	Athabaska Oil Sands Trust	7,493,707	14,685,575	7,792,441	10,823,314
610,124	821,569	Canadian Oil Sands Trust	10,829,701	22,182,363	10,700,274	15,357,054
2,143,015	2,885,720	Enermark Income Fund	6,793,358	18,468,608	13,700,070	19,966,862
1,440,078	1,939,164	Enerplus Resources Fund	3,096,168	7,562,740	7,014,851	10,049,873
786,915	1,059,629	Labrador Iron Ore Royalty Income Fund	8,105,225	14,304,992	11,009,951	14,899,744
714,861	962,605	Luscar Coal Income Fund	3,502,819	8,807,836	10,155,274	13,703,687
536,672	722,661	Maximum Energy Trust	885,509	5,600,623	5,486,054	7,709,280
599,139	806,778	NAL Oil & Gas Trust	3,295,265	6,857,613	4,837,284	7,346,843
220,540	296,965	Pengrowth Energy Trust	2,425,940	5,345,370	3,206,867	4,796,390
484,423	652,304	Prime West Energy Trust	2,446,336	5,544,584	4,430,707	6,491,539
708,057	953,442	Starcor Energy Royalty Fund	4,389,953	9,534,420	6,019,408	9,073,723
792,213	1,066,764	Superior Propane Income Fund	11,724,752	14,668,005	11,029,839	15,139,599
534,231	719,375	Taylor Gas Liquids Fund	2,233,085	7,013,905	6,422,412	9,215,692
		Total value of investments	71,651,595	150,712,256	$ 108,938,341	$ 155,219,391
		Other net assets	892,427	1,375,755		
		Net assets	$ 72,544,022	$ 152,088,011		

Notes

Distributions received as return of capital are used to reduce the adjusted cost base of the securities in the Portfolio.

In accordance with Regulation under the Securities Act (Ontario), a Statement of Portfolio Transactions (unaudited) for the period ended December 31, 1998 will be provided without charge on request to the Trust.

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

1. CORPORATE ACTIVITIES

Canadian Resources Income Trust ("CaRIT" or the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario and is governed by a declaration of trust dated November 28, 1996. Pursuant to this declaration of trust, CaRIT Limited acts as the trustee (the "Trustee") and is responsible for managing the affairs of the Trust.

The Trust was established to provide investors with high current yield and low cost diversification through the acquisition of a fixed portfolio of trust units of selected Canadian income funds primarily focused on the natural resource industry.

As a result of retractions during the year, 4,663,760 Units (1997 - 1,879,472) were exchanged for Portfolio securities and cash with an aggregate value of $30,156,503 (1997 - $16,672,274). Corresponding reductions have been made to the issue costs and the net realized loss on disposition of investments.

2.SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions on a fair and reasonable basis that may impact the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Measurement Uncertainty

Distributions received from investments have been classified as dividends, interest, or return of capital based on the final categorization of distributions as received from the Portfolio issuers. However, in some circumstances, distributions that have been accrued for accounting purposes at the 1998 year end have not been deemed to be 1998 distributions for tax purposes by the underlying issuers. Where such is the case, allocations between dividends, interest and return of capital have been estimated based on the Trust's previous experience with such distributions. These allocations may change once the final categorization of the distributions are received from the underlying issuers.

Investments

The Trust's investments are presented at market value. The market value is computed using the closing price on The Toronto Stock Exchange or if not available, on another exchange or market. If no closing price is available, an average of the bid and ask prices from the Toronto Stock Exchange is used. Investment transactions are recorded on a trade-date basis. Realized gains/(losses) on the disposition of investments and unrealized appreciation/(depreciation) of investments are determined on an adjusted cost basis. Short-term investments are presented at cost which, when taken together with accrued interest, approximate market value.

Income Recognition

Distribution income and distributions representing a return of capital are recorded on an ex-dividend date. Interest income is recorded on an accrual basis.

Return of Capital

Distributions received as a return of capital are used to reduce the adjusted cost base of the underlying securities in the Portfolio.

3. DISTRIBUTIONS TO UNITHOLDERS

Distributions are made on a monthly basis, as declared by the Trustee, to unitholders of record on the last day of each month, payable on or before the 15th day of the following month. Distributions are paid to the extent of the distributions received by the Trust from the Portfolio less estimated expenses. As distributions are received by the Trust from the underlying securities on a varying payout schedule, amounts distributed by CaRIT fluctuate from month to month.

4.UNITHOLDERS' CAPITAL

Pursuant to the Declaration of Trust, CaRIT is authorized to issue an unlimited number of transferable, retractable Trust Units, each of which represents an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. All Trust Units have equal rights and privileges.

On termination of the Trust, which is expected to be May 1, 2002, unitholders will be entitled to receive their pro rata share of each of the Portfolio Securities (rounded down to the nearest whole unit) and any remaining net assets of the Trust.

Retraction of Trust Units

Units may be surrendered at any time for retraction by delivery of a retraction notice to a CDS participant for delivery to CDS on or before noon on the business day immediately preceding the last day of a month. Units for which the Trustee receives a retraction notice will be retracted on the last day of the month.

If a unitholder surrenders 10,000 or more Units for retraction, the unitholders may elect to receive their pro rata share of the Portfolio Securities as at the Retraction Date (rounded down to the nearest whole Unit for each Portfolio Security) plus / minus the pro rata share of the amount by which the value of the other assets of the Trust exceed / are less than the liabilities of the Trust as at the Retraction Date. Otherwise, unitholders will receive on retraction a cash price per Unit equal to 90% of the Net Realized Proceeds per Unit. The Net Realized Proceeds per Unit are equal to the aggregate net proceeds realized by the Trust upon the sale of the pro rata share of the Portfolio Securities represented by the Units surrendered for cash retraction plus / minus the pro rata share of the amount by which the value of the other assets of the Trust exceed / are less than the liabilities of the Trust as at the Retraction Date, divided by the number of Units surrendered for cash retraction. In each case, unitholders will also receive their pro rata share of the distribution payable to unitholders on the Retraction Date.

It should be noted that all retractions constitute a taxable disposition of the Trust's units by the unitholders at the time of the retraction whether the retraction is received in the form of cash or Portfolio Units.

After giving effect to the retractions which occurred during the period, the issued and outstanding units as at December 31 consist of:

	1998	1997
Public issue of Units	—	20,000,000
Units, beginning of period	18,120,528	—
Units retracted during the period	(4,663,760)	(1,879,472)
Units, end of period	13,456,768	18,120,528

5. INCOME TAXES

Canadian Resources Income Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). The Trust has no material taxable income for the period as the Trust distributes sufficient taxable dividends and other income to unitholders to reduce its taxable income.

Distributions to a unitholder that are paid or payable within a particular year are to be included in the calculation of the unitholder's taxable income for that particular year. Distributions are comprised of dividend, other taxable and non-taxable components. The dividend component will be eligible for the dividend tax credit and accordingly, will be subject to a lower effective tax rate than that applicable to the other taxable component. Non-taxable distributions are to be used to reduce the adjusted cost base of the unitholder's Trust Units. Upon the disposition of Trust Units, unitholders will realize a capital gain or loss reflecting the market value at time of disposition.

6. RELATED PARTY INFORMATION

The Trust has retained ScotiaMcLeod Inc. ("SMI") under an Administration Agreement dated November 28, 1996 to administer all of the ongoing operations of the Trust. In consideration for these services, the Trust pays SMI a monthly fee, in advance, equal to 1/12 of 0.25% of the assets of the Trust. The Administration Agreement has a term expiring at the time when all Trust Units have been retracted or redeemed, which is expected to be May 1, 2002.

7. NET ASSET VALUE PER UNIT

The Net Asset Value of the Trust Units as of the valuation date is computed by dividing the value of the net assets of the Trust (that is the value of the assets of the Trust less its liabilities) by the total number of Units outstanding at such time.

8. UNDISTRIBUTED RETURN OF CAPITAL

For the year ended December 31, 1998 the Trust recorded distributions from the Portfolio of $7,899,722 as return of capital which has been used to reduce the adjusted cost base of the investments to which they relate. In addition, the Trust had undistributed return of capital of $1,460,536 carried forward from December 31, 1997. Of the total available of $9,200,014, which excludes distribution entitlements in the amount of $160,244 paid to retracting unitholders, the Trust distributed $8,258,298 to unitholders during the year ended December 31, 1998, leaving an undistributed amount of $941,716.

9. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Toronto Stock Exchange adopted a by-law requiring each listed corporation established in Ontario to publish a Statement of Corporate Governance Practices with reference to the guidelines contained in a report published by the Toronto Stock Exchange Committee on Corporate Governance in Canada (the "TSE Report").

The Corporate Governance Guidelines address matters related to the mandate, constitution and independence of the Board of Directors and its committees. Judgement is required in applying these guidelines since the structure and circumstances of individual organizations vary considerably. Therefore, compliance with all the guidelines may not be practicable or desirable.

The Board has assessed the requirements of these Corporate Governance Practices as they pertain to the Trust. In defining the scope of this assessment, the Board has considered the particular needs of the Trust as defined in its articles and by its prospectus. As a result of this assessment, the Board has determined that the guidelines in the TSE Report have limited applicability to the Trust's circumstances and that where applicable, the Trust is in compliance.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of investee trusts, suppliers, or other third parties, will be fully resolved.

CaRIT
CANADIAN RESOURCES INCOME TRUST

CORPORATE INFORMATION

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TRUSTEE

CaRIT Limited
Toronto, Ontario

DIRECTORS & OFFICERS OF CaRIT LIMITED

John B. Newman *
Director & Chairman of the Board

Brian D. McChesney
Director, President & Chief Executive Officer

Stephens B. Lowden *
Director & Chairman of the Audit Committee

Michael K. Warman *
Director, Chief Financial Officer & Secretary

Robert C. Williams
Director

REGISTRAR & TRANSFER AGENT

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LEGAL COUNSEL

Fasken Campbell Godfrey
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AUDITORS

KPMG LLP
Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

SYMBOL

RTU.UN

* *Audit Committee Member*

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